

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In Re: W.R. GRACE & CO., et al., Debtors.	§ § § § § §	Chapter 11 Jointly Administered Case No. 01-01139 (JKF)
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**FEE AUDITOR'S COMBINED FINAL REPORT REGARDING
THOSE FEE APPLICATIONS WITH NO FEE OR EXPENSE ISSUES
FOR THE TWENTY-EIGHTH INTERIM PERIOD**

This is the final report of Warren H. Smith & Associates, P.C., acting in its capacity as fee auditor in the above-captioned bankruptcy proceedings, regarding all the Interim Fee Applications of those firms for which we have no fee or expense issues for the Twenty-Eighth Interim Period (collectively referred to hereafter as the "Applications").¹

BACKGROUND

1. Anderson Kill & Olick, P.C. ("AKO"), was retained as special insurance counsel to the Official Committee of Asbestos Personal Injury Claimants. AKO seeks approval of fees totaling \$250,420.50 and expenses totaling \$3,199.44 for its services during the Application Period.

2. David T. Austern ("Austern") was retained as the Legal Representative for Future Claimants. Austern seeks approval of fees totaling \$29,300.00 and expenses totaling \$3,527.13 for his services during the Application Period.

3. Beveridge & Diamond, P.C. ("Beveridge & Diamond"), was retained as special

¹The Twenty-Eighth Interim Period encompasses January 1, 2008 through March 31, 2008 (the "Application Period").

counsel to the Debtors. Beveridge & Diamond seeks approval of fees totaling \$25,800.00 and expenses totaling \$155.54 for its services during the Application Period.

4. Campbell & Levine, LLC (“Campbell & Levine”), was retained as Delaware and associated counsel to the Official Committee of Asbestos Personal Injury Claimants. Campbell & Levine seeks approval of fees totaling \$173,741.00 and expenses totaling \$35,383.07 for its services during the Application Period.

5. Capstone Advisory Group, LLC (“Capstone”), was retained as financial advisors to the Official Committee of Unsecured Creditors. Capstone seeks approval of fees totaling \$227,428.00 and expenses totaling \$1,039.60 for its services during the Application Period.

6. Casner & Edwards, LLP (“Casner”), was retained as special litigation counsel to the Debtors. Casner seeks approval of fees totaling \$42,785.50 and expenses totaling \$39,275.71 for its services during the Application Period.

7. Charter Oak Financial Consultants, LLC (“Charter Oak”), was retained as financial advisor to the Official Committee of Asbestos Personal Injury Claimants. Charter Oak seeks approval of fees totaling \$203,193.80 and expenses totaling \$336.00 for its services during the Application Period.

8. Day Pitney LLP (“Day Pitney”) was retained as special counsel to the Debtors. Day Pitney seeks approval of fees totaling \$123,633.50 and expenses totaling \$2,330.43 for its services during the Application Period.

9. Ferry, Joseph & Pearce, P.A. (“Ferry Joseph”), was retained as counsel to the Official Committee of Asbestos Property Damage Claimants. Ferry Joseph seeks approval of fees totaling \$70,496.00 and expenses totaling \$5,495.38 for its services during the Application Period.

10. Foley Hoag LLP (“Foley Hoag”) was retained as special environmental counsel to the debtor. Foley Hoag seeks approval of fees totaling \$21,449.00 and expenses totaling \$85.89 for its services during the Application Period.

11. Fragomen, Del Ray, Bernsen & Loewy, LLP (“Fragomen”), was retained as special immigration counsel to the Debtors. Fragomen seeks approval of fees totaling \$28,300.00 and expenses totaling \$2,578.00 for its services during the Application Period.

12. Hamilton, Rabinovitz & Alschuler, Inc. (“HRA”), was retained as consultant to the Official Committee of Asbestos Property Damage Claimants. HRA seeks approval of fees totaling \$4,375.00 and no expenses for its services during the Application Period.

13. Holme Roberts & Owen, LLP (“Holme”), was retained as special environmental counsel to the Debtors. Holme seeks approval of fees totaling \$1,316.00 and expenses totaling \$3,212.39 for its services during the Twenty-Seventh Interim Period.²

14. Latham & Watkins LLP (“Latham & Watkins”) was retained to provide domestic and international tax planning services to the Debtors. Latham & Watkins seeks approval of fees totaling \$22,566.00 and expenses totaling \$0.47 for its services during the Application Period.

15. Lexecon LLC (“Lexecon”) was retained as asbestos claims consultants to the Official Committee of Equity Security Holders. Lexecon seeks approval of fees totaling \$23,377.50 and no expenses for its services during the Application Period.³

²The Twenty-Seventh Interim Period encompasses October 1, 2007 through December 31, 2007.

³We note for informational purposes that Lexecon’s Application includes 11.50 hours billed by Economist James J. Heckman at the hourly rate of \$1,800.00. In *In re USG Corporation*, Case No. 01-2094 (JKF), Transcript of Proceedings, July 19, 2004, p. 14, the Honorable Judith K. Fitzgerald asked that we call to the Court’s attention any instance in which a professional’s rate reaches \$1000.00 per hour, and thus we are complying with the Court’s request.

16. Nelson Mullins Riley & Scarborough, LLP (“Nelson Mullins”), was retained as special litigation and environmental counsel for the Debtors. Nelson Mullins seeks approval of fees totaling \$11,858.00 and expenses totaling \$17.00 for its services during the Application Period.

17. The Official Committee of Asbestos Personal Injury Claimants (the “Committee”) was formed on April 12, 2001 to represent the interests of the asbestos personal injury claimants in these cases. The Committee seeks approval of expenses totaling \$4,638.12 for its services during the Application Period. Of this amount, \$4,398.37 was billed by Committee Member, Motley Rice, LLC, and \$239.75 was billed by Committee Member, Goldberg, Persky & White.

18. Ogilvy Renault LLP (“Ogilvy”) was retained as special counsel to the Debtors and Debtors-in-Possession in Canada. Ogilvy seeks approval of fees totaling CDN \$79,596.50 and expenses totaling CDN \$1,835.03 for its services during the Application Period.

19. Piper Jaffray & Co. (“PJC”) was retained as financial advisor to David T. Austern, Future Claimants’ Representative. PJC seeks approval of a flat fee totaling \$250,000.00⁴ and expenses totaling \$333.24 for its services during the Application Period.

20. PricewaterhouseCoopers LLP (“PwC”) was retained as auditors and tax consultants to the Debtors and Debtors-in-Possession. In the Application, PwC seeks approval of fees totaling \$970,270.83⁵ and expenses totaling \$13,145.28 for its services during the Application Period.

21. Protiviti Inc. (“Protiviti”) was retained as Sarbanes-Oxley compliance advisor to the debtors. Protiviti seeks approval of fees totaling \$3,130.00 and expenses totaling \$10,783.29 for its

⁴For the Application Period, PJC lists 793.30 hours worked, which computes to an effective hourly rate of \$315.14.

⁵PwC breaks this amount into two separate fee requests of \$958,339.83 for its accounting and auditing work and \$11,931.00 for fee application preparation.

services during the Twenty-Fifth Interim Period,⁶ fees totaling \$68,460.00 and expenses totaling \$1,463.64 for its services during the Twenty-Sixth Interim Period,⁷ and fees totaling \$2,427.50 and no expenses for its services during the Twenty-Seventh Interim Period.

22. Reed Smith LLP (“Reed Smith”) was retained as special asbestos products liability defense counsel to the Debtors. Reed Smith seeks approval of fees totaling \$551,429.00 and expenses totaling \$81,263.75 for its services during the Application Period.⁸

23. The Scott Law Group, P.S. (“Scott”), was appointed as additional special counsel to ZAI Claimants. Scott seeks approval of fees totaling \$8,860.00 and expenses totaling \$1,450.55 for its services during the Application Period.⁹

24. Steptoe & Johnson LLP (“Steptoe”) was retained as special tax counsel to the Debtors. Steptoe seeks approval of fees totaling \$11,786.50 and expenses totaling \$142.44 for its services

⁶The Twenty-Fifth Interim Period encompasses April 1, 2007 through June 30, 2007.

⁷The Twenty-Sixth Interim Period encompasses July 1, 2007 through September 30, 2007.

⁸We note that the Court initially set a total budget for debtors’ counsel and ZAI counsel of \$1.5 million in fees and \$500,000 in expenses, per side, for prosecuting the Science Trial. On July 28, 2003, the Court entered an Order increasing the budget by \$950,000 per side for additional attorney fees and expenses. We note that an Order was entered on September 27, 2004, further increasing the litigation budget in the ZAI Science Trial by \$750,000.00 per side for additional attorneys’ fees and expenses. We note that the fees and expenses of Reed Smith, combined with the other debtors’ counsel, have not exceeded the budget limits set by the Court, and we have no objection to Reed Smith’s fees on that basis.

⁹We note that the Court initially set a total budget for debtors’ counsel and ZAI counsel of \$1.5 million in fees and \$500,000 in expenses, per side, for prosecuting the Science Trial. On July 28, 2003, the Court entered an Order increasing the budget by \$950,000 per side for additional attorney fees and expenses. We note that an Order was entered on September 27, 2004, further increasing the litigation budget in the ZAI Science Trial by \$750,000.00 per side for additional attorneys’ fees and expenses. We note that the fees and expenses of Scott, combined with the other ZAI Claimants counsel, have not exceeded the budget limits set by the Court, and we have no objection to Scott’s fees on that basis.

during the Application Period.

25. Stroock & Stroock & Lavan, LLP (“Stroock”), was retained as counsel to the Official Committee of Unsecured Creditors. Stroock seeks approval of fees totaling \$672,622.50 and expenses totaling \$20,422.22 for its services during the Application Period, as well as payment of fees and costs of \$229,195.95 for Navigant Consulting (“Navigant”), an asbestos issues expert.¹⁰

26. William D. Sullivan, LLC (“Sullivan”), was appointed as local counsel to ZAI Claimants. Sullivan seeks approval of fees totaling \$9,656.00 and expenses totaling \$20,572.24 for its services during the Application Period.¹¹

27. Towers Perrin Tillinghast (“Towers Perrin”) was retained as actuarial consultants to David T. Austern, Future Claimants’ Representative. Towers Perrin seeks approval of fees totaling \$306,891.50 and expenses totaling \$10,913.18 for its services during the Application Period.

28. Tre Angeli LLC (“Tre Angeli”) was retained a financial advisor to David T. Austern,

¹⁰Pursuant to the Court’s Order Authorizing the Retention of Experts (Docket No. 564) dated June 22, 2001, Navigant, as an expert, is not considered a professional under 11 U.S.C. § 327(a) and is not required to submit fee applications to the court. Accordingly, pursuant to the terms of Paragraph 3 of the Order Appointing Fee Auditor in Accordance with the Court’s Direction (Docket No. 1676) dated March 18, 2002, Navigant’s fees and expenses are beyond the scope of our review, and thus we do not review them.

¹¹We note that the Court initially set a total budget for ZAI counsel of \$1.5 million in fees and \$500,000 in expenses for prosecuting the Science Trial. On July 28, 2003, the Court entered an Order increasing the budget by \$950,000 per side for additional attorney fees and expenses. We note that an Order was entered on September 27, 2004, further increasing the litigation budget in the ZAI Science Trial by \$750,000.00 per side for additional attorneys’ fees and expenses. We note that the fees and expenses of Sullivan, combined with the other ZAI Claimants counsel, have not exceeded the budget limits set by the Court, and we have no objection to Sullivan’s fees on that basis.

legal representative for future asbestos claimants. Tre Angeli seeks a flat fee of \$50,000.00¹² and expenses totaling \$45.10 for its services during the Application Period. Tre Angeli was retained by order of the Court dated July 29, 2008, *nunc pro tunc* to March 3, 2008. This is Tre Angeli's first fee application in the case.

29. Woodcock Washburn LLP ("Woodcock") was retained as special litigation counsel to the Debtors. Woodcock seeks approval of fees totaling \$51,342.00 and expenses totaling \$560.00 for its services during the Application Period.

30. In conducting this audit and reaching the conclusions and recommendations contained herein, we reviewed in detail the Applications in their entirety, including each of the time and expense entries included in the exhibits to the Applications, for compliance with 11 U.S.C. § 330, Local Rule 2016-2 of the Local Rules of the United States Bankruptcy Court for the District of Delaware, Amended Effective February 1, 2008, and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330, Issued January 30, 1996 (the "Guidelines"), as well as for consistency with precedent established in the United States Bankruptcy Court for the District of Delaware, the United States District Court for the District of Delaware, and the Third Circuit Court of Appeals.

DISCUSSION

31. We have no objections to, or issues with, any of the Applications.

CONCLUSION

32. In summary, for the Application Period, we recommend approval of the following

¹²For the Application Period, Tre Angeli lists 58.80 hours worked, which computes to an effective hourly rate of \$850.34.

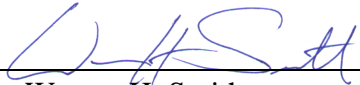
fees and expenses for these Applicants:

- a. AKO - \$250,420.50 in fees and \$3,199.44 in expenses;
- b. Austern - \$29,300.00 in fees and \$3,527.13 in expenses;
- c. Beveridge & Diamond - \$25,800.00 in fees and \$155.54 in expenses;
- d. Campbell & Levine - \$173,741.00 in fees and \$35,383.07 in expenses;
- e. Capstone - \$227,428.00 in fees and \$1,039.60 in expenses;
- f. Casner - \$42,785.50 in fees and \$39,275.71 in expenses;
- g. Charter Oak - \$203,193.80 in fees and \$336.00 in expenses;
- h. Day Pitney - \$123,633.50 in fees and \$2,330.43 in expenses;
- i. Ferry Joseph - \$70,496.00 in fees and \$5,495.38 in expenses;
- j. Foley Hoag - \$21,449.00 in fees and \$85.89 in expenses;
- k. Fragomen - \$28,300.00 in fees and \$2,578.00 in expenses;
- l. HRA - \$4,375.00 in fees;
- m. Holme - \$1,316.00 in fees and \$3,212.39 in expenses for the Twenty-Seventh Interim Period;
- n. Latham & Watkins - \$22,566.00 in fees and \$0.47 in expenses;
- o. Lexecon - \$23,377.50 in fees;
- p. Nelson Mullins - \$11,858.00 in fees and \$17.00 in expenses;
- q. The Committee - \$4,638.12 in expenses, of which, \$4,398.37 is for Motley Rice, LLC, and \$239.75 is for Goldberg, Persky & White;
- r. Ogilvy - CDN \$79,596.50 in fees and CDN \$1,835.03 in expenses;
- s. PJC - \$250,000.00 in fees and \$333.24 in expenses;
- t. PwC - \$970,270.83 in fees and \$13,145.28 in expenses;

- u. Protiviti - \$3,130.00 in fees and \$10,783.29 in expenses for the Twenty-Fifth Interim Period, \$68,460.00 in fees and \$1,463.64 in expenses for the Twenty-Sixth Interim Period, and \$2,427.50 in fees for the Twenty-Seventh Interim Period;
- v. Reed Smith - \$551,429.00 in fees and \$81,263.75 in expenses;
- w. Scott - \$8,860.00 in fees and \$1,450.55 in expenses;
- x. Steptoe - \$11,786.50 in fees and \$142.44 in expenses;
- y. Stroock - \$672,622.50 in fees and \$20,422.22 in expenses, as well as \$229,195.95 for the fees and expenses of Navigant;
- z. Sullivan - \$9,656.00 in fees and \$20,572.24 in expenses;
- aa. Towers Perrin - \$306,891.50 in fees and \$10,913.18 in expenses;
- bb. Tre Angeli - \$50,000.00 in fees and \$45.10 in expenses; and
- cc. Woodcock - \$51,342.00 in fees and \$560.00 in expenses.

Respectfully submitted,

WARREN H. SMITH & ASSOCIATES, P.C.


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FEE AUDITOR

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been served by First Class United States mail to the attached service list on this 15th day of September, 2008.



Warren H. Smith

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